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eng: Aerospace Corp
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THE MILITARY'S *'Think Factories'*

by WESLEY MARX

ONE OF the more exotic creations spawned by the United States' annual \$50 billion national security budget is the amorphous non-profit institution widely-known as a "brain-ranch" or "think factory." The non-profit organizations range from RAND and the Aerospace Corporation, creations of the Air Force, to Jet Propulsion Laboratory, the think factory for the National Aeronautics and Space Administration (NASA). Hailed as a highly effective end-run around government

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bureaucracy, these non-profit outgrowths of the military are even more effective as an escape hatch from public accountability—a fact strikingly revealed in recent disclosures by the House Armed Services Subcommittee of the lax security and wasteful shenanigans of Aerospace Corporation, the largest of the military's think factories.

The non-profit brain-trust concept grew out of the Federal government's inability to manage its own affairs in a highly complex scientific age. This inability became manifest near the close of World War II. "Scientists were generally fed up with the restrictions and red tape involved in working military problems and wanted out," recalls J. R.

Goldstein, vice president of RAND. "Civil service seemed unable to attract and hold the competence needed; and it seemed likely that the kind of work that had to be done couldn't be done in peacetime in the universities because of the probable unwillingness of campus people to work under security restrictions."

Rather than up-grade or alter the character of government service, the military chose to contract for scientific chores with quasi-private non-profit organizations specifically set up for that purpose. In 1945, the Air Force created the non-profit prototype. Without Congressional authorization and without taking bids, Air Force General H. H. "Hap" Arnold managed to shift around enough funds to award a \$10 million contract to Douglas Aircraft Company to set up Project RAND (an acronym stemming from "research and development"). Project RAND was to engage

"in a continuing program of scientific study and research on the broad subject of air warfare with the object of recommending to the Air Force preferred methods, techniques, and instrumentalities for this purpose."

Douglas furnished administrative services, security guards, and locked rooms in its Santa Monica, California, facility, and RAND became a subsidiary, but virtually autonomous, division of Douglas. However autonomous, the association of an Air Force top-think group with a major Air Force contractor proved too controversial. Goldstein recalls that, "In those early days, there was naturally some suspicion that the RAND people might talk to Douglas engineers about things they learned at Boeing and Northrop [other Air Force contractors]. On the other hand, some people at Douglas worried that the Air Force might not award some contracts to Douglas for fear of showing favoritism. And it was clear to everyone that it would be desirable to establish RAND as a completely independent organization, having no ties with anyone, as soon as possible."

To insure objectivity and impartiality, brains obviously had to be procured in a manner different from nuts and bolts. With Air Force approval, in 1948, RAND was incorporated as a non-profit, non-stock corporation in California. The non-profit, military-adjunct concept became, supposedly, the road to objectivity.

As a non-profit organization, RAND can declare no dividends and cannot manufacture any hardware. Its business is advice, and its main customer is the Air Force. Business is conducted through contracts, the cost of which the Air Force includes in the annual budget it submits to Congress.

Contracts to RAND include such overhead items as salaries unencumbered by civil service pay scales and a contract fee, the non-profit version of a profit. In 1948, RAND was awarded \$3.5 million in Air Force contracts, and earned approximately \$200,000 in fees. Today RAND grosses about \$20 million annually, and earns more than \$1 million in fees. These fees cannot accrue to the benefit of any individual in the

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